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November 12, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-47-B (Phase II) Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, NSTAR Gas Company, Pension/PBOP Adjustment Compliance Filing

Dear Ms. Cottrell:

Enclosed for filing in the above-referenced matter are the responses of Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company and NSTAR Gas Company (together, the "Company") to the Attorney General's Information Requests set forth on the accompanying list.

Thank you for your attention to this matter.

Sincerely,

Robert J. Keegan (SHA)

Robert J. Keegan

Enclosures

cc: Caroline Bulger, Hearing Officer
Joe Rogers, Assistant Attorney General
Alexander Cochis, Assistant Attorney General

Responses to Information Requests

Information Request AG-1-5
Information Request AG-1-8
Information Request AG-1-10
Information Request AG-1-15
Information Request AG-1-18
Information Request AG-1-19
Information Request AG-1-20
Information Request AG-1-27
Information Request AG-1-31

Information Request AG-1-5

Please provide copies of the financial statements from the pension trust for each of the last two years.

Response

Please refer to Attachment AG-1-5(a) and Attachment AG-1-5(b) for the NSTAR pension trust financial statements for 2002 and 2003, respectively.

2002 ANNUAL REPORT

NSTAR PENSION PLAN

NSTAR PENSION PLAN

Index to Financial Statements and
Supplemental Schedules

* Other supplemental schedules described in 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Report of Independent Auditors

To the Participants and Administrator of the NSTAR Pension Plan:

We were engaged to audit the financial statements and supplemental schedules of the NSTAR Pension Plan ("the Plan") at December 31, 2002 and December 31, 2001 and for the year ended December 31, 2002, as listed in the accompanying index. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note H, which was certified by State Street Bank and Trust Company ("the Trustee"), except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2002 and 2001 and for the year ended December 31, 2002, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

/s/PricewaterhouseCoopers LLP

October 7, 2003

NSTAR PENSION PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
AND ACCUMULATED PLAN BENEFITS
AS OF DECEMBER 31,

Net Assets Available for Plan Benefits	2002	2001
Assets		
Cash	$ 222,830	$ 649,966
Investments:		
At fair value:		
Registered investment companies	22,763,568	44,166,454
Common/collective trusts	170,493,561	134,796,075
Domestic equity securities - common	227,698,702	338,979,762
Domestic equity securities - preferred	4,611,072	6,990,984
International equity securities - common	25,384,305	23,713,030
U.S. Government Bonds	10,962,436	9,468,697
Mortgage-backed securities	703,623	878,512
Domestic corporate bonds	126,968,346	136,503,178
International bonds	36,217,163	30,953,483
Limited partnerships	16,795,470	16,765,259
Real estate funds	16,733,790	23,811,948
Short term investments	29,066,337	41,250,856
	688,398,373	808,278,238
Contracts with insurance companies:		
Immediate participation guarantee contract at contract value	8,725,654	9,195,516
Total investments	697,124,027	817,473,754
Receivables:		
Foreign exchange	578,331	62
Investments sold	2,449,101	4,638,906
Interest, dividends, and other	3,457,225	4,155,184
	6,484,657	8,794,152
Total assets (including amounts relating to 401(h) account of $34,860,319 and $31,827,399)	703,831,514	826,917,872
Liabilities		
Payable for foreign currency purchased	578,331	62
Investments purchased	2,764,644	4,531,442
Other payables	7,358	10,701
Amounts related to obligation of 401(h) subaccount	34,860,319	31,827,399
Total liabilities	38,210,652	36,369,604
Net assets available for plan benefits	$ 665,620,862	$ 790,548,268
Accumulated Plan Benefits		
Actuarial present value of vested benefits:		
Participants currently receiving payments	$ 385,777,856	$ 382,877,348
Other participants	267,351,347	270,373,501
	653,129,203	653,250,849
Actuarial present value of nonvested benefits	29,420,310	29,252,999
Total actuarial present value of accumulated plan benefits at end of year	$ 682,549,513	$ 682,503,848
(Deficiency)/Excess of net assets available for plan benefits compared to actuarial present value of accumulated plan benefits at end of year	$ (16,928,651)	$ 108,044,420

The accompanying notes are an integral part of these financial statements.

NSTAR PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS AND ACCUMULATED PLAN BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2002

Changes in Net Assets Available for Plan Benefits

	2002
Net decrease in net assets available for plan benefits:	
Investment income:	
Interest and dividend income	$ 17,201,820
Other	591,663
	17,793,483
Employee contributions	73,090
Employer contributions	49,500,000
Total contributions	49,573,090
Total additions	67,366,573
Net depreciation	(120,745,769)
Benefit payments	67,972,698
Administrative expenses	3,575,512
Total deductions	192,273,979
Net decrease in net assets available for plan benefits	$(124,927,406)

Changes in Accumulated Plan Benefits

Net increase (decrease) in actuarial present value of accumulated plan benefits:	
Benefits accumulated, net of actuarial gains/losses	$ (1,221,439)
Benefits paid	(67,972,698)
Interest due to decrease in the discount period	55,123,968
Plan amendments	543,982
Change of assumptions	13,571,852
Net increase	$ 45,665
Change in net assets available for plan benefits compared to change in actuarial present value of accumulated plan benefits	(124,973,071)
(Deficit)/Excess of net assets available for plan benefits compared to actuarial present value of accumulated plan benefits:	
Beginning of year	108,044,420
End of year	$ (16,928,651)

The accompanying notes are an integral part of these financial statements.

A) Plan Description

The following description of the NSTAR Pension Plan (the "Plan") provides only general information. The NSTAR Pension Plan operates under two plan documents, one captioned the "Pension Plan for Employees of Commonwealth Energy System and Subsidiary Companies" and the other captioned the "Boston Edison Retirement Plan," as permitted under Treasury Regulation Section 1.414(1)-1(b)(1)(ii). The terms and conditions under which benefits, if any, are payable with respect to each individual under the NSTAR Pension Plan as a result of or after the Plan Merger shall be determined solely under the respective plan document of the NSTAR Pension Plan that applies to that individual, as permitted under Treasury Regulation Section 1.414(1)-1(b)(1). Effective January 1, 2000, the current Plan and Plan name was adopted following a corporate merger as described below, and replaced the former "Boston Edison Company Retirement Plan" and the "Pension Plan for Employees of Commonwealth Energy System and Subsidiary Companies." The significant features of the Plan are described below.

NSTAR is an energy delivery company serving approximately 1.4 million customers in Massachusetts including more than one million electric customers in 81 communities and 300,000 gas customers in 51 communities. NSTAR was created through the merger of BEC Energy (BEC) and Commonwealth Energy System (COM/Energy) on August 25, 1999 (merger date) and is an exempt public utility holding company.

The Plan was originally established to provide pension benefits for employees and incidental benefits for their surviving spouses, other beneficiaries and contingent annuitants. The Plan is a defined benefit employer funded plan with certain employee contributory features that provides benefits to substantially all employees (the "participants"). On the merger date, Boston Edison remained the sponsor of the Plan and subsequently, the Plan was renamed the NSTAR Pension Plan. The Plan is administered by the NSTAR Retirement Plans Committee and is subject to the rules and regulations of the Employee Retirement Income Security Act of 1974 (ERISA) and subsequently renamed the NSTAR Pension Plan.

Employees with five or more years of service are fully vested and entitled to pension benefits following the end of their employment with NSTAR. The Plan includes several benefit formulas that are dependent upon an employee's union affiliation or non-negotiated status.

The Plan was amended as of December 31, 2002 to update the mortality assumptions (1994 Group Annuity Reserving Table) used to convert single sum benefit payments to annuity for future management retirees and to convert annuity to lump sums for future represented retirees.

B) Summary of Significant Accounting Policies

Basics of Accounting and Use of Estimates

The accompanying financial statements are prepared on the accrual basis of accounting. The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make significant estimates and assumptions that affect the reported amounts of net assets available for plan benefits at the date of the financial statements and the actuarial present value of accumulated plan benefits as of the benefit information date, the changes in net assets available for plan benefits and accumulated plan benefits during the reporting period and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Plan and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions could occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

The Plan provides for various investment options in any combination of cash, equity investment, bonds and real estate securities and an immediate participation guarantee contract. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Plan's investment balances and the amounts reported in the statements of net assets available for plan benefits and accumulated plan benefits and the statements of changes in net assets available for plan benefits and accumulated plan benefits.

Investment Valuation and Income Recognition

Investments are stated at fair value. Equity securities are valued using quoted market prices of a national securities exchange where available. Securities traded in the over-the-counter market and listed securities for which no sale was reported on the last business day of the year are valued at the mean of the last reported bid and asked prices.

Fixed income investments are valued on the basis of valuations furnished by a pricing service approved by the Trustee, which determines valuations using methods based on market transactions for comparable securities and various relationships between securities, which are generally recognized by institutional traders.

Shares of registered investment companies and common/collective trusts are valued at the net asset value of the fund as reported on the last business day of the year.

Real estate funds and limited partnership funds are stated at the fair value of their assets as determined by independent appraisers. These funds consist of the Sentinel Real Estate Fund, a unit trust, the Morgan Stanley Real Estate Fund and Alliance Real Estate fund.

The immediate participation guarantee contract is with John Hancock Financial Services, Inc. and is stated at contract value, which approximates fair value. Contract value represents contributions made under the contract, plus interest, less funds used to pay benefits and administration expense.

Purchases and sales of securities are accounted for on a trade-date basis. Interest income is recorded as earned on the accrual basis. Dividend income is recorded on the ex-dividend date.

Net Appreciation (Depreciation)

The Plan presents, in the Statement of Changes in Net Assets Available for Plan Benefits and Accumulated Plan Benefits, the net appreciation/depreciation in the fair value of its investments that consists of realized gains and losses and the unrealized appreciation/depreciation on those investments.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump sum distributions, which are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to retired or terminated employees or their beneficiaries, beneficiaries of employees who have died, and present employees or their beneficiaries. Benefits under the Plan are based on union represented employees' highest "consecutive" 3-year average pay and for non-represented employees we use the highest 3-year in the final ten years of credited service.

The accumulated plan benefits for active employees are based on their average compensation during the three years ending on the date as of which the benefit information is presented (valuation date). Benefits payable under all circumstances (retirement, death, disability and termination of employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by a consulting actuary and it is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used in the valuations as of December 31, 2002 and 2001 were:

Mortality	The 1994 Group Annuity Reserving Table and the Uninsured Pensioner 1994 Mortality Table (for 2001) for males and females with rates for males and female (rates multiplied by .8 for management employees and 1.2 for union employees) multiplied by 80% for management employees and 120% for union employees.
Retirement	Based on NSTAR's experience as follows:

Age	Percentage Retiring
55-59	1%
60	5%
61	5%
62	30%
63	15%
64	10%
65	100%

Investment return	8.5%
Lump sum elections	80% in 2000
Lump sum conversion	Blended 1983 Group Annuity Mortality Table for males and females with a 6.75% interest rate.
Bonuses	Pensionable compensation for management employees was increased to reflect assumptions that bonuses paid in future years will exceed 2002 bonuses.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

C) Funding Policy

Prior to May 1, 1980, Boston Edison Company employees could elect to contribute 3.75% of their annual base pay in excess of $6,600 to receive an additional contributory benefit at retirement. After May 1, 1980, new contributory elections were not allowed. Employees already making contributions as of that date, however, were permitted to continue. Present employees' accumulated contributions at December 31, 2002 were approximately $5.8 million including interest. Interest is guaranteed on employee contributions at an interest rate of 120% of the federal mid-term rate of 10% in effect as of January 1 each calendar year, compounded annually. All employee contributions are held by John Hancock Financial Services, Inc. and State Street Bank and Trust Company.

The employer's contribution is determined by an actuarial valuation designed to fund the Plan's aggregate future liabilities over the average remaining working lifetimes of the active participants. NSTAR's funding policy is to contribute an amount each year that is not less than the minimum required under federal law or greater than the maximum tax deductible amount. NSTAR's contributions for 2002 and 2001 exceeded the ERISA minimum funding requirements.

D) Plan Termination

Although it has not expressed any intention to do so, NSTAR has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

a. Benefits attributable to employee contributions, taking into consideration those paid out before termination.

b. Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under provisions in effect at any time during the five years preceding termination.

c. Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC) up to the applicable limitations.

d. All other vested benefits not insured by the PBGC.

e. All non-vested benefits are as follows:

   Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivors' pensions. However, the PBGC does not guarantee all types of benefits under the Plan and the amount of the benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees. For terminations occurring during 2002 and 2001, the ceiling was $3,665 and $3,392 per month, respectively. That ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity and are at least 65 years old at the time of retirement or Plan termination, whichever comes later. For younger annuitants or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward.

E) Investments

The following table presents the fair value or contract value of the Plan's investments at December 31, 2002 and 2001.

	2002	2001
Investments at Fair Value as Determined by Quoted Market Price		
Registered investment companies	$ 22,763,568	$ 44,166,454
Common/collective trusts	170,493,561	134,796,075
Domestic equity securities - common	227,698,702	338,979,762
Domestic equity securities - preferred	4,611,072	6,990,984
International equity securities - common	25,384,305	23,713,030
U.S. Government Bonds	10,962,436	9,468,697
Mortgage-backed securities	703,623	878,512
Domestic corporate bonds	126,968,346	136,503,178
International bonds	36,217,163	30,953,483
Short term investments	29,066,337	41,250,856
	654,869,113	767,701,031
Investments at Fair Value as Determined by Appraisal		
Real estate funds	16,733,790	23,811,948
Limited partnerships	16,795,470	16,765,259
	33,529,260	40,577,207
Investment at Contract Value		
Immediate participation guarantee contract	8,725,654	9,195,516
Total investments	$697,124,027	$817,473,754

The fair value of individual investments that represents 5% or more of the Plan's net assets (including amounts relating to 401(h) account) as of December 31, 2002 and 2001 are as follows:

	2002	2001
State Street Bank and Trust Company:		
Short Term Investment Fund	$ 54,454,816	$ 84,072,713
SSgA S&P Value Fund	-	42,821,857
SsgA Active US Large Cap Growth Fund	-	34,761,479
MAS Mid Cap Value Fund	-	43,228,948
Mellon Small Cap Fund	-	57,532,003

During 2002, the Plan's investments (including realized gains and losses and the changes in unrealized appreciation) appreciated (depreciated) in value as follows:

	2002
Net Appreciation (Depreciation) in Fair Value of Investments as Determined by Quoted Market Price	
Registered investment companies	$ (7,015,526)
Common/collective trusts	(20,117,336)
Equity securities - common	(77,647,791)
Equity securities - preferred	757,057
U.S. Government securities	1,353,959
Mortgage-backed securities	(51,740)
Domestic corporate bonds	(5,980,028)
Corporate bonds - preferred	3,266,256
Short term investments	(95,060)
Other	(10,544,086)
	(116,074,295)
Net (Depreciation) in Fair Value of Investments at Estimated Fair Value	
Real estate funds	(3,627,138)
Limited partnerships	(127,366)
Insurance funds	(916,970)
Net depreciation	$(120,745,769)

F) **401(h) Subaccount**

Certain postretirement health care benefits are payable to certain active and retired non-union employees in conjunction with the Group Welfare Benefits Plan for Retirees of NSTAR (the Postretirement Plan). Pursuant to the Internal Revenue Code, NSTAR has the ability to fund a portion of its postretirement health care benefits through a 401(h) subaccount of the Pension Plan, subject to certain conditions and limitations. Effective January 1, 1992, the Plan was amended to include a 401(h) subaccount that is being used to fund a portion of these postretirement health care benefits. As a result of the merger, NSTAR assumed the responsibility of funding for postretirement health care benefits through the 401(h) subaccount that are actuarially determined and any funded amounts accounted for separately. Assets in the trust beyond those in the 401(h) subaccount must be used to pay pension benefits and cannot be used to pay postretirement health care benefits. Assets included in the 401(h) subaccount must only be used for postretirement health care benefits. Contributions to the 401(h) subaccount amounted to $7,000,000 in 2002 and $6,080,000 in 2001. The fair market value of the net assets included in the 401(h) subaccount are $34,860,319 and $31,827,399 at December 31, 2002 and 2001, respectively, and are excluded from the net assets of the Plan. The obligation associated with these assets is included in the benefit obligations of the Postretirement Plan.

The following is a reconciliation of the Plan's net assets available for pension benefits per the financial statements to the Department of Labor's Form 5500:

	December 31, 2002	December 31, 2001
Net assets available for pension benefits per the financial statements	$665,620,862	$790,548,268
Net assets held in 401(h) account included as assets in Form 5500	34,860,319	31,827,399
Net assets available for benefits per the Form 5500	$700,481,181	$822,375,667

The net assets of the 401(h) account included in Form 5500 are not available to pay pension benefits but can be only used to pay retiree health benefits.

The following is a reconciliation of the Plan's changes in net assets per the financial statements to the Form 5500:

	Amounts per Financial Statements	For the Year Ended December 31, 2002 — 401(h) Subaccount	Amounts per Form 5500
Net depreciation in fair value of investments	$(120,745,769)	$(4,594,652)	$(125,340,421)
Interest, dividend income and other	$17,793,483	$764,040	$18,557,523
Contributions	$49,500,000	$7,000,000	$56,500,000
Administrative expenses	$(3,575,512)	$(136,468)	$(3,711,980)

G) Tax Status

The IRS determined and informed NSTAR by a letter dated March 27, 2002 that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The plan administrator and its legal counsel believe the Plan is currently designed and is being operated in compliance with the applicable requirements of the IRC.

H) Summary of Certified Information

The financial statements and supplemental schedules herein have been prepared from reports furnished by State Street Bank and Trust Company, the trustee, to the Plan Administrator and John Hancock Financial Services, Inc. as trustee to the Immediate Participation Guarantee Contract. The Plan Administrator has instructed the independent public accountants not to examine certain information certified as complete and accurate by the trustee, including investments, investments sold/purchased, earnings on investments, and net appreciation/depreciation except for comparing such information to the related information included in the financial statements and supplementary schedules.

I) Related Party Transactions

Certain Plan investments are units of common/collective trusts managed by related affiliates of the trustee and therefore, the investments qualify as party-in-interest.

NSTAR PENSION PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES TO ACCOMPANY THE 2003 FORM 5500

NSTAR PENSION PLAN

Index to Financial Statements and
Supplemental Schedules

* Other supplemental schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Report of Independent Auditors

To the Participants and Administrator of the NSTAR Pension Plan:

We were engaged to audit the financial statements and supplemental schedules of the NSTAR Pension Plan ("the Plan") at December 31, 2003 and December 31, 2002 and for the year ended December 31, 2003, as listed in the accompanying index. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by Section 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note H, which was certified by State Street Bank and Trust Company ("the Trustee"), except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2003 and 2002 and for the year ended December 31, 2003, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

/s/PricewaterhouseCoopers LLP

October 15, 2004
Boston, Massachusetts

NSTAR PENSION PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

AND ACCUMULATED PLAN BENEFITS

AS OF DECEMBER 31,

Net Assets Available for Plan Benefits	2003	2002
Assets		
Cash	$ 9,117,953	$ 222,830
Investments:		
At fair value:		
Registered investment companies	84,637,568	46,415,162
Common/collective trusts	183,647,832	95,706,172
Domestic equity securities - common	270,510,023	227,698,702
Domestic equity securities - preferred	1,099,886	4,611,072
International equity securities - common	12,810	3,905
U.S. Government Bonds	21,289,662	10,962,436
Mortgage-backed securities	10,800,856	703,623
Domestic corporate bonds	103,989,383	126,968,346
International bonds	-	36,217,163
Limited partnerships & Hedge funds	106,435,855	93,311,665
Real estate funds	15,472,310	16,733,790
Interest bearing cash	46,350,738	29,066,337
	844,246,923	688,398,373
Contracts with insurance companies:		
Immediate participation guarantee contract at contract value	8,406,406	8,725,654
Total investments	852,653,329	697,124,027
Receivables:		
Employer contribution	40,000,000	-
Variation margin receivable	16,275	-
Foreign exchange	-	578,331
Investments sold	30,888,465	2,449,101
Interest, dividends, and other	31,611,767	3,457,225
	102,516,507	6,484,657
Total assets (including amounts relating to 401(h) account of $51,637,990 and $34,860,319)	964,287,789	703,831,514
Liabilities		
Securities sold short, at fair value (proceeds $10,993,230)	12,509,321	-
Accrued administrative expenses	849,705	-
Payable for foreign currency purchased	-	578,331
Unrealized loss on foreign currency exchange contract (B)	192	-
Investments purchased	30,966,678	2,772,002
Amounts related to obligation of 401(h) account	51,637,990	34,860,319
Total liabilities	95,963,886	38,210,652
Net assets available for plan benefits	$ 868,323,903	$ 665,620,862
Accumulated Plan Benefits		
Actuarial present value of vested benefits:		
Participants currently receiving payments	$ 414,070,295	$ 385,777,856
Other participants	223,616,656	267,351,347
	637,686,951	653,129,203
Actuarial present value of nonvested benefits	31,118,920	29,420,310
Total actuarial present value of accumulated plan benefits at end of year	$ 668,805,871	$ 682,549,513
Excess/(Deficiency) of net assets available for plan benefits compared to actuarial present value of accumulated plan benefits at end of year	$ 199,518,032	$ (16,928,651)

The accompanying notes are an integral part of these financial statements.

NSTAR PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS AND ACCUMULATED PLAN BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2003

Changes in Net Assets Available for Plan Benefits

	2003
Net increase in net assets available for plan benefits:	
Investment income:	
Interest and dividend income	$ 10,800,020
Other	751,441
Net appreciation	143,160,643
	154,712,104
Employee contributions	71,330
Employer contributions	120,000,000
Total contributions	120,071,330
Total additions	274,783,434
Benefit payments	67,816,537
Administrative expenses	4,263,856
Total deductions	72,080,393
Net increase in net assets available for plan benefits	$ 202,703,041

Changes in Accumulated Plan Benefits

Net increase (decrease) in actuarial present value of accumulated plan benefits:	
Benefits accumulated, net of actuarial (gains)/losses	(1,065,619)
Benefits paid	(67,816,537)
Interest due to decrease in the discount period	55,134,506
Plan amendments	4,008
Net decrease	$(13,743,642)
Change in net assets available for plan benefits compared to change in actuarial present value of accumulated plan benefits	216,446,683
Excess/(Deficit) of net assets available for plan benefits compared to actuarial present value of accumulated plan benefits:	
Beginning of year	(16,928,651)
End of year	$ 199,518,032

The accompanying notes are an integral part of these financial statements.

A) Plan Description

The following description of the NSTAR Pension Plan (the "Plan") provides only general information. Participants should refer to plan agreement for more complete information. The NSTAR Pension Plan operates under two plan documents, one captioned the "Pension Plan for Employees of Commonwealth Energy System and Subsidiary Companies" and the other captioned the "Boston Edison Retirement Plan," as permitted under Treasury Regulation Section 1.414(1)-1(b)(1)(ii). The terms and conditions under which benefits, if any, are payable with respect to each individual under the NSTAR Pension Plan as a result of or after the Plan Merger shall be determined solely under the respective plan document of the NSTAR Pension Plan that applies to that individual, as permitted under Treasury Regulation Section 1.414(1)-1(b)(1). Effective January 1, 2000, the current Plan and Plan name was adopted following a corporate merger as described below, and replaced the former "Boston Edison Company Retirement Plan" and the "Pension Plan for Employees of Commonwealth Energy System and Subsidiary Companies." The significant features of the Plan are described below.

NSTAR is an energy delivery company serving approximately 1.4 million customers in Massachusetts including more than one million electric customers in 81 communities and 300,000 gas customers in 51 communities. NSTAR was created through the merger of BEC Energy (BEC) and Commonwealth Energy System (COM/Energy) on August 25, 1999 (merger date) and is an exempt public utility holding company.

The Plan was originally established to provide pension benefits for employees and incidental benefits for their surviving spouses, other beneficiaries and contingent annuitants. The Plan is a defined benefit employer funded plan with certain employee contributory features that provides benefits to substantially all employees (the "participants") of NSTAR. On the merger date, Boston Edison now known as NSTAR remained the sponsor of the Plan and subsequently, the Plan was renamed the NSTAR Pension Plan. The Plan is administered by the NSTAR Retirement Plans Committee and is subject to the rules and regulations of the Employee Retirement Income Security Act of 1974 (ERISA) and subsequently renamed the NSTAR Pension Plan.

Employees with five or more years of service are fully vested and entitled to pension benefits following the end of their employment with NSTAR. The Plan includes several benefit formulas that are dependent upon an employee's union affiliation or non-negotiated status.

The Plan was amended as of December 31, 2002 to update the mortality assumptions (1994 Group Annuity Reserving Table) used to convert single sum benefit payments to annuity for future non-represented retirees and to convert annuity to lump sums for certain eligible future represented retirees.

B) Summary of Significant Accounting Policies

Basics of Accounting and Use of Estimates

The accompanying financial statements are prepared on the accrual basis of accounting. The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make significant estimates and assumptions that affect the reported amounts of net assets available for plan benefits at the date of the financial statements and the actuarial present value of accumulated plan benefits as of the benefit information date, the changes in net assets available for plan benefits and accumulated plan benefits during the reporting period and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Plan and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions could occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

The Plan provides for various investment options in any combination of cash, equity investment, bonds and real estate securities and an immediate participation guarantee contract. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Plan's investment balances and the amounts reported in the statements of net assets available for plan benefits and accumulated plan benefits and the statements of changes in net assets available for plan benefits and accumulated plan benefits.

Investment Valuation and Income Recognition

Investments are stated at fair value. Equity securities are valued using quoted market prices of a national securities exchange where available. Securities traded in the over-the-counter market and listed securities for which no sale was reported on the last business day of the year are valued at the mean of the last reported bid and asked prices.

Fixed income investments are valued on the basis of valuations furnished by a pricing service approved by the Trustee, which determines valuations using methods based on market transactions for comparable securities and various relationships between securities, which are generally recognized by institutional traders.

Shares of registered investment companies and common/collective trusts are valued at the net asset value of the fund as reported on the last business day of the year.

Real estate funds are stated at the fair value of their assets as determined by independent appraisers. These funds consist of the Sentinel Real Estate Fund, a unit trust, the Morgan Stanley Real Estate Fund and Alliance Real Estate fund.

Hedge funds and limited partnerships are valued at estimated fair value based on financial information received from the investment advisor.

Sentinel Real Estate Fund, a unit trust, the Morgan Stanley Real Estate Fund and Alliance Real Estate fund.

The immediate participation guarantee contract is with John Hancock Financial Services, Inc. and is stated at contract value, which approximates fair value. Contract value represents contributions made under the contract, plus interest, less funds used to pay benefits and administration expense.

Purchases and sales of securities are accounted for on a trade-date basis. Interest income is recorded as earned on the accrual basis. Dividend income is recorded on the ex-dividend date.

Net Appreciation

The Plan presents, in the Statement of Changes in Net Assets Available for Plan Benefits and Accumulated Plan Benefits, the net appreciation in the fair value of its investments that consists of realized gains and losses and the unrealized appreciation on those investments.

Forward Foreign Currency Exchange Contracts

The plan may enter into a forward foreign exchange contract primarily to hedge against foreign exchange rate risks on its non-U.S. dollar denominated investment securities. A forward foreign currency exchange contract ("forward currency contract") is a commitment to purchase or sell a foreign currency at a future settlement date and at a negotiated rate.

Forward currency contracts are marked-to-market at the prevailing forward exchange rate of the underlying currencies and the difference between contract value and market value is recorded as unrealized appreciation (depreciation) in the Plan net assets. When the forward exchange contract is closed, the Plan transfers the unrealized appreciation (depreciation) to a realized gain (loss) equal to the change in the value of the forward exchange contract when it was opened and the value at the time it was closed or offset. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset.

Certain risks may arise upon entering into a forward currency contract from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, the Plan gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

A summary of open forward currency contracts at December 31, 2003 is presented below:

Settlement Date	Contracts to Deliver	In Exchange For	Unrealized Loss
January 2, 2004	EUR 9,920	USD 12,321	$(192)

There were no open forward currency contracts at December 31, 2002.

Future Contracts

A future contract is a contractual agreement to make or take delivery of a standardized quantity of a specified grade or type of commodity or financial instrument at a specified future date in accordance with terms specified by a regulated future exchange.

Future contracts are valued at the last settlement price at the end of each day on the exchange upon which they are traded. Upon entering into a future contract, the Plan is required to deposit either in cash of securities an amount equal to a certain percentage of the nominal value of the contract ("initial margin"). Pursuant to the future contract, the Plan agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the future contract. Such receipts or payments are known as "variation margin" which are settled daily and are included in the realized gains (losses) on future contracts. The Plan will record a variation margin receivable or payable in the Plan net asset for variation margins, which have not yet been paid at the end of the year.

Future contracts involve, to varying degrees, credit and market risks. The Plan enters into future contracts on exchanges where the exchange acts as the counterparty to the transaction. Thus, credit risk on such transactions is limited to the failure of the exchange. The daily settlement on the future contracts serves to greatly reduce credit risk. Losses in value may arise from changes in the value of the underlying instrument or if there is an illiquid secondary market for the contracts. In addition, there is the risk that there may not be an exact correlation between a futures contract and the underlying index or security.

At December 31, 2003 and 2002, there were no assets pledged as collateral for open future positions.

A summary of the open equity index futures as of December 31, 2003 and 2002 is presented below:

Long Contracts

	2003 Number of Contracts	Notional Cost	Maturity Date	Unrealized Gain/(Loss)	2002 Number of Contracts	Notional Cost	Maturity Date	Unrealized (Gain/(Loss)
S&P 500 Index	21	$5,830,650	March 2004	$16,275	-	N/A	N/A	N/A

Investments Sold Short

The Plan may sell a security it does not own in anticipation of a decline in the fair market value of that security or as part of its core investment strategy. The Plan, in "selling short," sells borrowed securities that must at some date be repurchased at prevailing future market prices and returned to the lender.

Accordingly, these transactions result in off-balance-sheet risk, as the Plan's ultimate obligation to satisfy the delivery requirements may exceed the amount of proceeds initially received from the sale or liability in the financial statements.

A summary of securities sold short as of December 31, 2003 is presented below:

Common Stocks	Shares	Fair Value

ACCO Corp	11,400	229,596
AVX Corp New	6,600	109,692
Adv. Fibre Communications	1,200	24,180
Agilent Technologies Inc	7,300	213,452
Allergan Inc	3,000	230,430
Amerada HESS Corp	3,900	207,363
Ameren Corp	4,800	220,800
Americredit Corp	2,400	38,232
Ametek Inc New	3,900	188,214
Amylin Pharmaceuticals Inc.	3,000	66,660
Andrx Corp Del	7,500	180,300
Apache Corp	1,600	129,760
Aqua Amer Inc	2,375	52,487
Ashland Inc	4,400	193,864
Autodesk Incorporated	8,900	218,762
Avon Prods Inc	1,500	101,235
Bancorpsouth Inc	2,100	49,812
Bank Hawaii Corp	5,200	219,440
Banknorth Group Inc New	1,500	48,795
Boeing Co	1,000	42,140
Borg Warmer Inc.	1,100	93,577
Boston Scientific Corp	5,600	205,856
CIT Group Inc New	4,000	143,800
CNA FINL Corp	1,900	45,790
Capital Fed Finl	2,500	90,150
Catellus Dev Corp	8,479	204,513
Cheesecake Factory	5,900	259,777
Devon Energy Corporation New	2,800	160,328
Diebold Inc	4,000	215,480
Dominion Res Inc VA New	600	38,298
DOW Chem Co	5,700	236,949
DuPont EI DB Wemores + Co	4,400	201,916
EMSCO Intl. Inc	6,000	163,020
Eastman Chem Co	4,400	173,932
Echostar Communications Corp	2,100	71,400
Eric Indty Co	3,900	165,282
F N B Corp PA	5,700	202,065
Fiar ISAAC Corporation	500	24,580
Family DLR Stores Inc	1,200	43,056
Firstenergy Corp	6,700	235,840
Forest Labs Inc	700	43,260
HCA Inc	6,100	262,056
Hartford Financial Svcs Grp.	3,600	212,508
Hawaiian Elec Inds Inc	3,400	161,058
Honeywell Intl Inc	1,500	50,145
Hudson City Bancorp Inc	4,400	167,992
Integrated Circuit Sys Inc	1,600	45,584
International Paper Co	2,300	99,153
Interpublic Group Cos Inc	9,200	143,520
Janus CAP Group Inc	5,900	96,819
KLA Tencor Corp	3,800	222,946
Keycorp NEW	7,400	216,968
King Pharmaceuticals Inc	2,500	38,150
LNR PPTY Corp	1,600	79,216
Lee Enterprises Inc	5,400	235,710
Miller Herman Inc	1,100	26,697
Murphy Oil Corp	400	26,124
National Instrs Corp	700	31,829
Navistar Intl Corp Inc	5,400	258,606
Netscreen Technologies Ins	2,900	71,775
New York Times Co	900	43,011
99 Cents Only Stores	7,900	215,117
NORTHROP Grumman Corp	400	38,240
Novellus Sys Inc	4,500	189,225
Nuveen Invts Inc	1,300	34,658
Owens Ill Inc	6,000	71,340
PC+E Corp	3,200	88,864
Parker Hannifin Corp	3,500	208,250
Patterson Uti Energy Inc	3,300	108,636
Peoples Bk Bridgeport Conn	2,700	88,020

PEPCO Hldgs Inc	1,300	25,402
PEPSICO Inc	600	27,972
Progress Energy Inc	4,600	208,196
Quest Diagnostics Inc	1,200	87,732
Raymond James Financial Inc	3,800	143,260
Robert Half Intl Inc	11,300	263,742
ROSS Stores Inc	3,200	84,576
Rowan COS Inc	1,800	41,706
SAFEWAY Inc	7,300	159,943
The St Paul Travelers Cos Inc	3,400	134,810
SCANA Corp New	3,800	130,150
Scotts Co	400	23,664
Sear Roebuck + Co	2,900	131,921
Smithfield Foods Inc	10,600	219,420
Smurfit Stone Container Corp	1,800	33,426
Steelcase Inc	13,300	190,988
Student LN Corp	300	43,800
SYMOPSYS Inc	2,400	81,024
TJX Cos Inc NEW	2,200	48,510
TXU Corp	8,300	196,876
Trinity Inds Inc	900	27,756
UST Inc	1,800	64,242
United States Cellular Corp	7,400	262,700
Univision Communications Inc	1,700	67,473
Verizon Communciations	700	24,556
Walgreen Co	5,200	189,176
Westport Res Corp New	2,700	80,622
Whirlpool Corp	1,700	123,505
Whitney Hldg Corp	1,300	53,287
Yahoo Inc	500	22,585
Total (proceeds $10,993,230)		$12,509,321

There were no securities sold short as of December 31, 2002.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump sum distributions, which are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to retired or terminated employees or their beneficiaries, beneficiaries of employees who have died, and present employees or their beneficiaries. Benefits under the Plan are based on union represented employees' highest "consecutive" 3-year average pay and for non-represented employees we use the highest 3-years of eligible July 1 pay in the final ten years of employment.

The accumulated plan benefits for active employees are based on their average compensation during the three years ending on the date as of which the benefit information is presented (valuation date). Benefits payable under all circumstances (retirement, death, disability and termination of employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by a consulting actuary and it is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used in the valuations as of December 31, 2003 and 2002 were:

Mortality	The 1994 Group Annuity Reserving Table multiplied by 80% for management employees and 120% for union employees.
Retirement	Based on NSTAR's experience as follows:

Age	Percentage Retiring
55-59	1%
60	5%
61	5%
62	30%
63	15%
64	10%
65	100%

Investment return	8.5%
Lump sum elections	80%
Lump sum conversion	Blended 1994 Group Annuity Reserve Mortality Table for males and females with a 6.00% interest rate.
Bonuses	Pensionable compensation for management employees was increased to reflect assumptions that bonuses paid in future years will exceed 2002 bonuses.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Benefit Payments

Benefits are recorded when paid.

C) Funding Policy

Prior to May 1, 1980, Boston Edison Company employees could elect to contribute 4.00% of their annual base pay in excess of $6,600 to receive an additional contributory benefit at retirement. After May 1, 1980, new contributory elections were not allowed. Employees already making contributions as of that date, however, were permitted to continue. Present employees' accumulated contributions at December 31, 2003 and 2002 were approximately $6.1 million and $5.8 million, respectively, including interest. Interest is guaranteed on employee contributions at an interest rate of 120% of the federal mid-term rate of 10% in effect as of January 1 each calendar year, compounded annually. All employee contributions are held by John Hancock Financial Services, Inc. and State Street Bank and Trust Company.

The employer's contribution is determined by an actuarial valuation designed to fund the Plan's aggregate future liabilities over the average remaining working lifetimes of the active participants.

NSTAR's funding policy is to contribute an amount each year that is not less than the minimum required under federal law or greater than the maximum tax deductible amount. NSTAR's contributions for 2003 and 2002 exceeded the ERISA minimum funding requirements.

D) Plan Termination

Although it has not expressed any intention to do so, NSTAR has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

a. Benefits attributable to employee contributions, taking into consideration those paid out before termination.

b. Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under provisions in effect at any time during the five years preceding termination.

c. Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC) up to the applicable limitations.

d. All other vested benefits not insured by the PBGC.

e. All non-vested benefits are as follows:

   Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivors' pensions. However, the PBGC does not guarantee all types of benefits under the Plan and the amount of the benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees. For terminations occurring during 2003 and 2002, the ceiling was $3,665 and $3,392 per month, respectively. That ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity and are at least 65 years old at the time of retirement or Plan termination, whichever comes later. For younger annuitants or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward.

E) Investments

The following table presents the fair value or contract value of the Plan's investments at December 31, 2003 and 2002.

	2003	2002
Investments at Fair Value as Determined by Quoted Market Price		
Registered investment companies	$ 84,637,568	$ 46,415,162
Common/collective trusts	183,647,832	95,706,172
Domestic equity securities - common	270,510,023	227,698,702
Domestic equity securities - preferred	1,099,886	4,611,072
International equity securities - common	12,810	3,905
U.S. Government Bonds	21,289,662	10,962,436
Mortgage-backed securities	10,800,856	703,623
Domestic corporate bonds	103,989,383	126,968,346
International bonds	-	36,217,163
Interest bearing cash	46,350,738	29,066,337
	722,338,758	578,352,918
Investments at Fair Value as Determined by Appraisal		
Real estate funds	15,472,310	16,733,790
Limited partnerships & hedge funds	106,435,855	93,311,665
	121,908,165	110,045,455
Investment at Contract Value		
Immediate participation guarantee contract	8,406,406	8,725,654
Total investments	$852,653,329	$697,124,027

The fair value of individual investments that represents 5% or more of the Plan's net assets (including amounts relating to 401(h) account) as of December 31, 2003 and 2002 are as follows:

	2003	2002
State Street Bank and Trust Company:		
Short Term Investment Fund	$ 65,924,098	$ 54,454,816

During 2003, the Plan's investments (including realized gains and losses and the changes in unrealized appreciation) appreciated in value as follows:

	2003
Net Appreciation in Fair Value of Investments as Determined by Quoted Market Price	
Registered investment companies	$ 14,215,852
Common/collective trusts	30,836,803
Equity securities - common	45,424,872
Equity securities - preferred	18,610,884
International equity securities - common	143,161
U.S. Government securities	3,579,016
Mortgage-backed securities	1,818,140
Domestic corporate bonds	17,866,448
Limited partnerships & hedge funds	2,591,208
Interest bearing cash	6,642,653
Insurance funds	1,431,606
Net Appreciation	$143,160,643

2F) 401(h) Subaccount

Certain postretirement health care benefits are payable to certain active and retired non-union employees in conjunction with the Group Welfare Benefits Plan for Retirees of NSTAR (the Postretirement Plan). Pursuant to the Internal Revenue Code, NSTAR has the ability to fund a portion of its postretirement health care benefits through a 401(h) subaccount of the Pension Plan, subject to certain conditions and limitations. Effective January 1, 1992, the Plan was amended to include a 401(h) subaccount that is being used to fund a portion of these postretirement health care benefits. As a result of the merger, NSTAR assumed the responsibility of funding for postretirement health care benefits through the 401(h) subaccount that are actuarially determined and any funded amounts accounted for separately. Assets in the trust beyond those in the 401(h) subaccount must be used to pay pension benefits and cannot be used to pay postretirement health care benefits. Assets included in the 401(h) subaccount must only be used for postretirement health care benefits. Contributions to the 401(h) subaccount amounted to $9,097,000 in 2003 and $7,000,000 in 2002. The fair market value of the net assets included in the 401(h) subaccount are $51,637,990 and $34,860,319 at December 31, 2003 and 2002, respectively, and are excluded from the net assets of the Plan. The obligation associated with these assets is included in the benefit obligations of the Postretirement Plan.

The following is a reconciliation of the Plan's net assets available for pension benefits per the financial statements to the Department of Labor's Form 5500:

	December 31, 2003	December 31, 2002
Net assets available for pension benefits per the financial statements	$868,323,903	$665,620,862
Net assets held in 401(h) account included as assets in Form 5500	51,637,990	34,860,319
Net assets available for benefits per the Form 5500	$919,961,893	$700,481,181

The net assets of the 401(h) account included in Form 5500 are not available to pay pension benefits but can be only used to pay retiree health benefits.

The following is a reconciliation of the Plan's changes in net assets per the financial statements to the Form 5500:

For the Year Ended December 31, 2003	Amounts per Financial Statements	401(h) Subaccount	Amounts per Form 5500
Net appreciation in fair value of investments	$143,160,643	$7,286,272	$150,446,915
Interest, dividend income and other	$ 11,551,461	$ 569,448	$ 12,120,909
Contributions	$ 120,000,000	$9,097,000	$ 129,097,000
Administrative expenses	$ 4,263,856	$ 175,049	$ 4,438,905

G) Tax Status

The IRS determined and informed NSTAR by a letter dated March 27, 2002 that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The plan administrator and its legal counsel believe the Plan is currently designed and is being operated in compliance with the applicable requirements of the IRC.

H) Summary of Certified Information

The financial statements and supplemental schedules herein have been prepared from reports furnished by State Street Bank and Trust Company, the trustee, to the Plan Administrator. The Plan Administrator has instructed the independent public accountants not to examine certain information certified as complete and accurate by the trustee, including investments, receivables/payables for investments sold/purchased, interest and dividend income, short sales and net appreciation/depreciation except for comparing such information to the related information included in the financial statements and supplementary schedules.

I) Related Party Transactions

Certain Plan investments are units of common/collective trusts managed by related affiliates of the trustee and therefore, the investments qualify as party-in-interest.

Information Request AG-1-8

Please provide the workpapers, calculations, formulas, assumptions, supporting documentation and copies of any studies management relied on to choose the pension study's discount rate.

Response

Please refer to Attachment AG-1-8, which is the interest rate benchmark data used by the Company to determine its discount rate from 2000 through 2004. The Company utilizes this data to determine its discount rate in accordance with SFAS 87 and 106. The analysis performed to determine the discount rate for 1998 through 2004 is included in the attachment.

Farrell, Michael

From: lisa.g.ullman@us.pwc.com
Sent: Wednesday, October 27, 2004 3:19 PM
To: michael_Farrell@NStaronline.com
Cc: sheryl.a.sciaudone@us.pwc.com
Subject: Fw: NStar

Mike-

I hope this is helpful. Please call if the format doesn't come through correctly.

-Lisa

----- Forwarded by Lisa G. Ullman/US/TLS/PwC on 10/27/2004 03:17 PM -----

PRICEWATERHOUSECOOPERS

FAS 87/106 Interest Rate Guidance -- September 2004

Interest Rates
10/06/2004

Interest Rate Guidance

Interest rate yields for use in selecting discount rates under FASB Statement Nos. 87/106.

Treasuries

	Dec 2000	Dec 2001	Dec 2002	Sep 2003	Dec 2003	Aug 2004	Sep 2004
10 Year (A)	5.12	5.07	3.83	3.96	4.27	4.13	4.14
Rate on last business day							
30 Year (A)	5.46	5.48	N/A	N/A	N/A	N/A	N/A
Rate on last business day							
1-10 Year Composite (B)	5.24	3.64	2.12	2.09	2.46	2.85	2.98
Rate on last business day							
10+ Year Composite (B)	5.54	5.65	4.66	4.68	4.91	4.75	4.72
Rate on last business day							
High Quality (Aaa-Aa) Corporate Bonds							
1-10 Year Composite (C)							
Rate on last business day	6.33	4.82	3.38	3.07	3.35	3.58	3.65
10+ Year Composite (C)							
Rate on last business day	7.30	6.88	6.00	5.88	5.81	5.68	5.63
15+ Year (C)							
Rate on last business day	7.37	6.94	6.13	5.78	5.97	5.80	5.73
Moody's Aa rated corporate bond yield (D)							

Rate on last business day	7.41	7.10	6.52	5.86	6.01	5.81	5.73
Citigroup pension liability index (E)							
Rate on last business day	7.27	6.90	6.05	5.87	6.00	5.77	5.70

Footnotes:

(A) Federal Reserve Statistical Release.

(B) Wall Street Journal - Merrill Lynch Bond Index.

(C) Bloomberg Service - Merrill Lynch AAA/AA Bond Index, YTM Semi-Annual
(May not match Wall Street Journal, which is on YTW basis and mid-afternoon pricing)

(D) Factiva - Interactive Service.

(E) Citigroup – Pension Liability Index

If you have any comments, questions or suggestions regarding these guidelines or if you require other historic rates, please call Stephanie Spruyt at 646-394-2002 or Murray Akresh at 646-394-2362.

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----- Forwarded by Lisa G. Ullman/US/TLS/PwC on 10/27/2004 03:05 PM -----

Sheryl A Sciaudone/US/ABAS/PwC

10/27/2004 01:50 PM
(617) 530- 4265
Boston

To Lisa G. Ullman/US/TLS/PwC@Americas-US
cc
Subject NStar

Hi Lisa

Hope all is well. Mike Farrell stopped by and is looking for the discount rate/information as of 9/30/04 for a presentation for **tomorrow**. I am sorry this is last minute, but he just asked me today.

I know Teresa used to send him the information and I am not sure if I have the tools to pull it from.

I would greatly appreciate if you can send us the information as soon as you can today.

Thank you

Sheryl A. Sciaudone | PricewaterhouseCoopers LLP | Assurance
One International Place | Boston, MA 02110
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NSTAR
FAS 87/106 Discount Rate
12/31/2003

NSTAR Methodology

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Salomon Bros Pension Duration curve						
Moody's Corporate Bond	6.65%	7.90%	7.41%	7.08%	6.49%	6.01%
Merrill Lynch 15+ year Composite	6.48%	7.78%	7.37%	6.94%	6.13%	5.97%
Merrill Lynch 10+ year Composite	6.16%	7.71%	7.25%	6.82%	6.00%	5.81%
30 year Treasuries	5.09%	6.48%	5.46%	5.48%	4.78%	6.00%
Average:	6.10%	7.47%	6.87%	6.58%	5.85%	5.95%
Change in average:		1.37%	-0.60%	-0.29%	-0.73%	0.10%
Discount Rate used	6.50%	8.00%	7.50%	7.25%	6.50%	6.25%
Change in rate used:		1.50%	-0.50%	-0.25%	-0.75%	-0.25%
Percent difference	6.64%	7.13%	9.13%	10.18%	11.13%	5.09%

All Indeces

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Salomon Bros Pension Duration curve	6.56%	7.98%	7.27%	6.90%	6.05%	6.00%
Moody's Corporate Bond	6.65%	7.90%	7.41%	7.08%	6.49%	6.01%
Merrill Lynch 15+ year Composite	6.48%	7.78%	7.37%	6.94%	6.13%	5.97%
Merrill Lynch 10+ year Composite	6.16%	7.71%	7.25%	6.82%	6.00%	5.81%
30 year Treasuries	5.09%	6.48%	5.46%	5.48%	4.78%	6.00%
Average:	6.19%	7.57%	6.95%	6.64%	5.89%	5.96%
Change in average:		1.38%	-0.62%	-0.31%	-0.75%	0.07%
Discount Rate used	6.50%	8.00%	7.50%	7.25%	6.50%	6.25%
Change in rate used:		1.50%	-0.50%	-0.25%	-0.76%	-0.25%
Percent difference	5.04%	5.68%	7.89%	9.12%	10.37%	4.90%

Salomon Bros / Moody's Only

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Salomon Bros Pension Duration curve	6.56%	7.98%	7.27%	6.90%	6.05%	6.00%
Moody's Corporate Bond	6.65%	7.90%	7.41%	7.08%	6.49%	6.01%
Merrill Lynch 15+ year Composite						
Merrill Lynch 10+ year Composite						
30 year Treasuries						
Average:	6.61%	7.94%	7.34%	6.99%	6.27%	6.01%
Change in average:		1.34%	-0.60%	-0.35%	-0.72%	-0.27%
Discount Rate used	6.50%	8.00%	7.50%	7.25%	6.50%	6.25%
Change in rate used:		1.50%	-0.50%	-0.25%	-0.75%	-0.25%
Percent difference	-1.59%	0.76%	2.18%	3.72%	3.67%	4.08%

NSTAR
FAS 87/106 Discount Rate
12/31/2003

Benchmarks	12/31/1998	12/31/1999	12/31/2000	12/31/2001	12/31/2002	12/31/2003
Salomon Bros Pension Duration curve	6.56%	7.98%	7.27%	6.90%		
Moody's Corporate Bond	6.65%	7.90%	7.41%	7.08%	6.49%	6.01%
Merrill Lynch 15+ year Composite	6.48%	7.78%	7.37%	6.94%	6.13%	5.97%
Merrill Lynch 10+ year Composite	6.16%	7.71%	7.25%	6.82%	6.00%	5.81%
30 year Treasuries	5.09%	6.48%	5.46%	5.48%	4.78%	5.06%
Average	6.10%	7.47%	6.87%	6.58%	5.85%	5.71%
Change		1.37%	-0.60%	-0.29%	-0.73%	-0.14%
Discount Rate used	6.50%	8.00%	7.50%	7.25%	6.50%	6.25%
Change		1.50%	-0.50%	-0.25%	-0.75%	-0.25%
Percent difference	6.64%	7.13%	9.13%	10.18%	11.13%	9.41%
	-27.70%	-23.46%	-37.39%	-32.30%	-35.98%	-23.52%
		-0.53%	-0.63%	-0.67%	-0.65%	-0.54%

Source for discount rates: PwC analysis provided by Lisa Ullman.

From: teresa.m.medeiros@us.pwc.com
Sent: Tuesday, January 06, 2004 10:20 AM
To: Michael_Farrell@nstaronline.com; sheryl.a.sciaudone@us.pwc.com
Cc: francis.schlosser@us.pwc.com; james.c.horvath@us.pwc.com; lisa.g.ullman@us.pwc.com
Subject: Re: 12/31/03 Discount Rates

Mike,
The 12/31/2003 discount rates are now available, and are below (compared to the rates we gave you in September and October 2003).

	9/30/2003	10/31/2003	12/31/2003
Moody's AA	5.86%	6.11%	6.01%
Merrill Lynch 10+	5.68%	5.88%	5.81%
Merrill Lynch 15+	5.78%	5.99%	5.97%

I apologize for the delay. Please let me know if you have questions.

Regards,
Teresa

Teresa M. Medeiros, ASA., MAAA
Senior Associate
PricewaterhouseCoopers, LLP
One International Place
Boston, MA 02110
Ph: (617) 530-4406
FAX (813) 375-8523
Em: teresa.m.medeiros@us.pwc.com

Lisa G. Ullman
12/19/2003 09:10 PM
617 530-4395
Boston - One International Place
US

To: "Farrell, Michael" <Michael_Farrell@nstaronline.com>@INTL
cc: Teresa M Medeiros/US/TLS/PwC@Americas-US, James C Horvath/US/TLS/PwC@Americas-US, Francis Schlosser/US/ABAS/PwC@Americas-US
Subject: Re: 12/31/03 Discount RatesLink

Mike-

How about that Monday January 4. Our office is closed on that Friday and I am not sure how readily available the rates will be on that day any way.

-Lisa

Lisa G. Ullman

PricewaterhouseCoopers LLP
One International Place
Boston, MA 02110
Direct Dial: 617 530-4395
Fax: 813 639-3603
Lisa.G.Ullman@us.pwc.com

PLEASE NOTE THAT EFFECTIVE OCTOBER 17, 2003, MY NEW DIRECT DIAL TELEPHONE AND FAX NUMBERS CHANGED AS FOLLOWS:
PHONE: 617 530-4395
PRIVATE FAX: 813 639-3603

THE MAIN OFFICE NUMBERS HAVE ALSO CHANGED, AS FOLLOWS:
PHONE: 617 530-5000
MAIN FAX: 617 530-5001

"Farrell, Michael" <Michael_Farrell@nstaronline.com>
12/19/2003 08:01 PM

To: Lisa G. Ullman/US/TLS/PwC@Americas-US
cc:
Subject: 12/31/03 Discount Rates

Lisa,

I lost the person's name who sent me the discount rate updates back in October. Could you forward this message so that I could get the year end rates on 1/2? Or at least as much as you have at that point?

Have a great holidays!!

Mike

Please make sure you are familiar with the NSTAR Information Systems Acceptable Use Policy.

Information Request AG-1-10

Please provide the workpapers, calculations, formulas, assumptions, supporting documentation and copies of any studies management relied on to choose the pension study's wage base increase factor.

Response

Please refer to Information Request AG-1-18, as provided in D.T.E. 03-47.

Information Request AG-1-15

Please provide copies of the financial statements from the Post-Retirement Benefits Other Than Pension trust for each of the last two years.

Response

Please refer to Attachment AG-1-15 (a), the 2002 Annual Report for, the Group Welfare Benefits Plan for Retirees of NSTAR and Attachment AG-1-15 (b), the 2002 Annual Report for the NSTAR Long-Term Disability Plan. The Company's independent accountants have not yet completed their audit of the 2003 financial statements.

2002 ANNUAL REPORT

FOR THE

GROUP WELFARE BENEFITS PLAN FOR RETIREES OF NSTAR

GROUP WELFARE BENEFITS PLAN FOR RETIREES OF NSTAR

INDEX TO FINANCIAL STATEMENTS

* Other supplemental schedules described in 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

<u>Report of Independent Auditors</u>

To the Participants and Administrator of
The Group Welfare Benefits Plan
for Retirees of NSTAR:

We were engaged to audit the financial statements and supplemental schedules of the Group Welfare Benefits Plan for Retirees of NSTAR as of December 31, 2002 and 2001, and for the year ended December 31, 2002, as listed in the accompanying index. These financial statements are the responsibility of the Plan's management.

As permitted by 29 CFR 2520,103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note B, which was certified by State Street Bank and Trust, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2002 and 2001 and for the year ended December 31, 2002, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

/s/PricewaterhouseCoopers LLP

October 7, 2003

GROUP WELFARE BENEFITS PLAN FOR RETIREES OF NSTAR

STATEMENTS OF BENEFIT OBLIGATIONS AND NET ASSETS
AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2002 AND 2001

	2002	2001
Benefit obligations:		
Retirees	$388,541,000	$359,968,000
Fully eligible active plan participants	50,020,000	31,273,000
Other active plan participants	115,308,000	78,662,000
Total benefit obligations at end of year	553,869,000	469,903,000
Assets:		
Investments, at fair value (see Note B)		
Registered investment companies	18,001,529	74,224,514
Common/collective trusts	105,666,687	46,890,465
Domestic equity securities - common	144,200	80,202
Domestic equity securities - preferred	835,149	1,310,495
U.S. Government securities	6,903,139	2,760,763
Mortgage-backed securities	240,642	282,718
Domestic corporate bonds	35,384,585	36,920,340
Municipal bonds	4,156,365	3,484,483
International bonds	5,499,490	4,913,221
Real estate	48,800	-
Short term investments	2,365,779	22,206,587
Total investments	179,246,365	193,073,788
Net assets held in the NSTAR Pension Plan restricted for 401(h) account	34,860,319	31,827,399
Receivables:		
Interest and dividends	967,724	962,161
Income tax	53,000	77,557
Investments sold	-	37,725
Total receivables	1,020,724	1,077,443
Other Assets:		
Cash	-	168,260
Prepaid medical premiums	351,891	-
Total Assets	215,479,299	226,146,890
Liabilities:		
Accrued medical premiums	-	36,070
Accrued administrative and other expenses	93,284	112,120
Investments purchased	-	220,158
Total Liabilities	93,284	368,348
Net assets available for benefits	215,386,015	225,778,542
Excess of benefit obligations over net assets available for benefits	$338,482,985	$244,124,458

The accompanying notes are an integral part of these financial statements.

GROUP WELFARE BENEFITS PLAN FOR RETIREES OF NSTAR

STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS
AND NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2002

	2002
Net change in benefit obligations:	
Interest costs	$ 33,135,000
Benefit payments	(26,853,123)
Plan amendments	(10,989,000)
Changes in actuarial assumptions	98,714,000
Claims paid and the effect of actuarial experience	(10,040,877)
Net increase in benefit obligations for the year ended December 31	83,966,000
Net change in net assets available for benefits:	
Contributions:	
Employer	31,500,000
Participant	1,489,572
	32,989,572
Net increase in 401(h) account	3,032,920
Investment income:	
Dividend income	1,986,467
Interest income	3,244,504
Net depreciation on investments	(24,255,001)
Other	36,809
	(18,987,221)
Deductions:	
Benefit payments	26,853,123
Administrative and other expenses	574,675
	27,427,798
Net decrease in net assets available for benefits	(10,392,527)
Increase in excess of benefit obligations over net assets available for benefits	94,358,527
Excess of benefit obligations over net assets available for benefits:	
Beginning of year	244,124,458
End of year	$338,482,985

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

A. Summary

The following description of the Group Welfare Benefits Plan for Retirees of NSTAR (the "Plan") provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

General

NSTAR is an energy delivery company serving approximately 1.4 million customers in Massachusetts including approximately 1.1 million electric customers in 81 communities and 300,000 gas customers in 51 communities. NSTAR was created through the merger of BEC Energy (BEC) and Commonwealth Energy System (COM/Energy) on August 25, 1999 and is an exempt public utility holding company. On January 1, 2000, the COM/Energy Postretirement Benefits Plans (Groups I and II for health-care benefits) and the COM/Energy Postretirement Life Insurance Benefit Plan (COM/Energy plans) merged with and were consolidated into the Group Welfare Benefits Plan for Retirees of Boston Edison Company, which was then renamed the Group Welfare Benefits Plan for Retirees of NSTAR. The net assets of the Group Welfare Benefits Plan for Retirees of NSTAR are separately accounted for and are available for the specific benefit of former participants of the COM/Energy plans, former participants of the Group Welfare Benefits Plan for Retirees of Boston Edison Company and future participants of the Group Welfare Benefits Plan for Retirees of NSTAR. These net assets were initially available for Plan benefits as of January 1, 2000. NSTAR, through the Plan, provides healthcare and postretirement life insurance benefits to all eligible employees.

Assets of the Plan are held in a voluntary employees' beneficiary association ("VEBA") trust. Assets accumulated in the VEBA trust are for the exclusive benefit of Plan participants. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

In accordance with the Trust Agreement, at no time shall any of the assets in the trust be used for purposes other than the exclusive benefit of Plan participants in accordance with the Plan benefits provided to such participants.

Plan Administration

Administrative expenses, including audit, trustee and service provider fees are paid directly by the Plan. NSTAR (the "Plan Administrator) pays the actuarial fees directly. The day-to-day operation of the Plan has been delegated to a service provider to process claims and perform other duties in accordance with the Plan Administrator's instructions and the Trust Agreement. In addition, Watson Wyatt & Company (the "Actuary") is employed to act as technical advisor on matters related to the operation, valuation and funding requirements of the Plan.

Effective December 31, 2003, several Plan amendments will impact future retirement for represented employees by Union Local 12004, Commonwealth Energy represented employees prior to May 1, 2001 and Commonwealth Energy management prior to January 1, 2000 and other management employees by:

- active employees of Local 12004 who were age 40 with 12 years of service as of January 1, 1993 and meet the "rule of 75" eligibility as of March 31, 2006, may elect the Local 369 postretirement benefit program or retain the 12004 cost sharing and survivor eligibility arrangement. All other actives are now eligible for the Local 369 postretirement benefit program.
- Elimination of Medicare Part B reimbursement for all current recipients and future eligible recipients.
- Elimination of post-65 dental coverage for all eligible retirees who previously qualified for such coverage unless they had attained the age of 65 prior to April 1, 2003.

These plan amendments decreased the plans liabilities by approximately $10,989,000 for the year ended December 31, 2002.

Effective January 1, 2001 and May 1, 2001, several Plan amendments for represented employees impacted future retirement after those dates. Employees represented by Union Locals 387, 333, 338, and 339 merged in Local 369 effective October 1, 2001. However, former Locals 333, 338, 339 and 392 employees who retired prior to May 1, 2001 were provided coverage under the prior COM/Energy plan provisions. The Local 369 plan provisions were amended for retirements after 2000 by:

- changing the pre-age 65 cost share to 15%
- introducing a post-age 65 cost share to 15%
- updating the cap on employer contributions to 120% of the 2000 employer PPO rate. This cap will increase 5% per year.
- extending eligibility to employees who terminate prior to age 55 with 20 years of service. NSTAR subsidizes coverage after age 55.
- extending dental coverage beyond age 65.
- the addition of vision benefits.

Also, the valuation was updated to assume that 20% of future retirees elect HMO coverage.

Plan Benefits

The Plan provides postretirement medical and life insurance benefits to any retired employee or spouse of a deceased retired employee meeting specified age and/or years of service requirements (subject to certain deductibles and coinsurance). However, effective January 1, 1993, Non-Union and Employees represented by Union Local No. 12004 participants who retire prior to age 62 during a Plan year, must contribute a 10% co-payment of their total postretirement health care coverage until reaching age 62. Medical claims of participants and their eligible dependents are provided under group contracts administered by Blue Cross and Blue Shield of Massachusetts, Inc. or any of two health maintenance organizations. Participants who are age 64 or older are covered by a Medicare Supplement Contract provided under group contracts administered by Blue Cross and Blue Shield of Massachusetts, Inc. Prescription drug benefits are provided to participants under agreement with Systemed, L.L.C. The Plan provides life insurance benefits to the beneficiaries of all eligible employees provided that the employee's age and/or years of service meet certain requirements.

B. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on an accrual basis of accounting.

Certified Information

The accompanying financial statements and schedules were prepared from the reports furnished by State Street Bank and Trust Company ("State Street"), the Plan Trustee, to the Plan Administrator. The Plan Administrator has instructed the independent public accountants not to examine certain information certified as complete and accurate by the Trustee, including investments at fair value, interest and dividends on investments, investments sold/purchased, and net appreciation, except for comparing such information to the related information included in the financial statements and supplemental schedules.

Investments

The investments in the accompanying Statements of Benefit Obligations and Net Assets Available for Benefits are stated at fair value. Equity securities are valued using closing market prices of a national securities exchange where available. Securities traded in the over-the-counter market and listed securities for which no sale was reported on the last business day of the year are valued at the mean of the last reported bid and asked prices.

Fixed income investments are valued on the basis of valuations furnished by a pricing service approved by the Trustee, which determines valuations using methods based on market transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders.

Shares of registered investment companies and common/collective trusts are valued at the net asset value on the last business day of the year.

Income on investments is recorded when earned.

The Plan presents in the Statement of Changes in Benefit Obligations and in Net Assets Available for Plan Benefits the net depreciation in the fair value of its investments which consists of realized gains and losses and the unrealized appreciation and depreciation on those investments during 2002 as follows:

	Net (depreciation) appreciation in fair value during year
Fair value as determined by quoted market price:	
Registered investment companies	$(15,016,362)
Common/collective trusts	(8,444,143)
Domestic equity securities - common	(1,257,604)
Domestic equity securities - preferred	106,106
U.S. Government securities	578,514
Mortgage-backed securities	15,378
Domestic corporate bonds	(479,754)
Municipal bonds	181,103
International bonds	62,506
Short term investments	(745)
	$(24,255,001)

The fair market value of individual investments that represent 5% or more of the Plan's net assets as of December 31, 2002 and 2001 are as follows:

	2002	2001
State Street Bank and Trust Company:		
Russell 3000 index	$88,589,186	$18,377,874
Active Reit CTF	17,077,501	-
SSARIS Multi Manager	18,001,529	-
U.S. Matrix Synthesis Common Trust Fund	-	50,952,596
Euro High Value CTF	-	8,009,146
State Street Global Advisors Disciplined Equity Fund	-	46,531,955
State Street Global Advisor Money Market Fund	-	22,206,588
Vanguard International Equity Portfolio	-	19,394,246

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of net assets available for benefits, benefits obligations and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Plan and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions could occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

The Plan contains various investment securities in any combination of cash and equity investments. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Plan's investment balances and the amounts reported in the statements of benefit obligations and net assets available for benefits and the statement of changes in benefit obligations and net assets available for benefits.

Funding and Contributions

Pursuant to the Internal Revenue Code, NSTAR has the ability to fund a portion of its postretirement benefits through a 401(h) subaccount of NSTAR's Pension Plan, subject to certain conditions and limitations. NSTAR's Pension Plan includes a 401(h) subaccount, which is being used to fund a portion of these postretirement health care benefits. NSTAR's funding for postretirement benefits through the 401(h) subaccount is actuarially determined and any funded amounts are accounted for separately. Assets included in the 401(h) subaccount must only be used for postretirement health care benefits. Assets in the pension trust beyond those in the 401(h) subaccount must be used to pay pension benefits and cannot be used to pay postretirement benefits. The Plan's deficiency of net assets over benefit obligations relates primarily to the postretirement benefit obligation. It is currently the intent of the Company to fund the postretirement benefit obligation as the obligation becomes due. Contributions to the 401(h) subaccount amounted to $7,000,000 and $6,080,000 in 2002 and 2001, respectively. At December 31, 2002 and 2001, the fair market value of the net assets in the 401(h) subaccount were $34,860,319 and $31,827,399, respectively, and has been excluded from the net assets of the NSTAR Pension Plan. The obligation associated with these assets is included in the Plan's financial statements.

Changes in Net Assets in 401(h) Account	2002
Net depreciation fair value of investments	$ (4,589,338)
Interest, dividend and other income	758,726
	(3,830,612)
Employer contributions	7,000,000
Administrative expenses	(136,468)
Net increase in net assets available	$ 3,032,920

Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	2002	2001
Net assets available for benefits per the financial statements	$215,386,015	$225,778,542
Net assets held in defined benefit Plan-401 (h) account	(34,860,319)	(31,827,399)
Net assets available for benefits per Form 5500	$180,525,696	$193,951,143

The following is a reconciliation of total additions per the financial statements to the Form 5500:

	2002
Total additions per financial statements	$ 17,035,271
Less: Net increase in 401 (h) net assets available	(3,032,920)
Net additions per Form 5500	$ 14,002,351

NSTAR and certain participants contribute to the Plan on a monthly basis. Contributions are deposited to a VEBA trust held by State Street. Separate sub-accounts are maintained in the trust for medical and dental benefits for management retirees, medical and dental benefits for union-represented retirees, and life insurance. Contributions to the trusts are based on the annual cost as actuarially computed. All participant benefits and premiums to provide benefits coverage are paid directly from the trusts.

Participants are not required to contribute toward the cost of life insurance coverage. However, participants must pay the amount designated by NSTAR as the contribution for medical coverage provided to the participant and/or his or her eligible dependents.

NSTAR made contributions to the trust totaling $31,500,000 and $33,641,000 during the years ended December 31, 2002 and 2001, respectively. Eligible retirees (less than 62 years of age) contributed $1,489,572 and $1,711,075 during 2002 and 2001, respectively, to the VEBA trust, representing a 10% co-payment of their total postretirement health care coverage as determined upon retirement.

In addition to deductibles and co-payments, participant contributions are as follows:

Management

Participants Retiring	Retiree Contribution
(1) Commonwealth Energy Pre-1993	None
(2) Commonwealth Energy	

1993 - 1999
or under Voluntary Separation Program

-40 yrs old & 12 yrs svc at 1/1/93	10% of premium to age 62 None thereafter
-all others	Retirees pay 100%

(3) Boston Edison
Pre-2000
or under Voluntary Separation Program

-prior to 55	Retirees pay 100%
-55 through 64	Retirees pay 5% (15% for spousal coverage) plus amounts over employer "cap" "cap" = 120% of difference between working rates and retiree contributions for 1995 When cap is reached, employer cost increases 2.5% annually. All other cost increases are paid by the retiree.
-65 and later	None

(4) NSTAR
2000 and later

-prior to 55	Retirees pay 100%
-55 through 64	Retirees pay 15% plus amounts over employer "cap" "cap" = 120% of difference between working rates and retiree contributions for 1995 When cap is reached, employer cost increases 2.5% annually. All other cost increases are paid by the retiree.
-65 and later	Retiree pays difference between cost of plan elected and 80% of the average of the Medicare Risk HMOs offered

Local 369

Participants Retiring	*Retiree Contribution*

(1) Prior to 2000

-55 through 64	Retirees pay 5% (15% for spousal coverage) plus amounts over employer "cap" "cap" = 120% of difference between working rates and retiree contributions for 1995 When cap is reached, employer cost increases 2.5% annually. All other cost increases are paid by the retiree.
-65 and later	None

(2) 2000

-55 through 64	Retirees pay 15% plus amounts over employer "cap" "cap" = 120% of difference between working rates and retiree contributions for 1995 When cap is reached, employer cost increases 2.5% annually. All other cost increases are paid by the retiree.
-65 and later	None
(3) 2001 and later	Retirees pay 15% plus amounts over employer "cap" "cap" = 120% of difference between working rates and retiree contributions for 2000 When cap is reached, employer cost increases 5.0% annually. All other cost increases are paid by the retiree. None if Medicare Risk HMO elected 15% of premium for Medex II plus drugs if elected

Commonwealth Electric

Participants Retiring	*Retiree Contribution*
(1) Commonwealth Energy Local 12004 Pre-1993	None
(2) Commonwealth Energy Local 12004 1993 and later or under Voluntary Separation Program	
-40 yrs old & 12 yrs svc at 1/1/93	10% of premium to age 62 None therafter
-all others	Retirees pay 100%
(3) Commonwealth Energy All other locals Pre 5/1/01	None

Although it has not expressed any intention to do so, NSTAR has the right under the Plan to modify the benefits provided to participants, to discontinue its contributions at any time, and to terminate the Plan subject to the provisions set forth in ERISA.

In the event the Plan terminates, the net assets of the Plan will be used for the exclusive benefit of retirees, their dependents or their beneficiaries. Under no circumstances shall any part of the trust ever revert or be repaid to NSTAR, either directly or indirectly.

Pursuant to Internal Revenue Code Section 419A(e), there are limitations on the contributions that can be made to the VEBA trust for postretirement life insurance benefits. The calculation of the Plan's obligation is based on all benefits that are payable under the Plan; however, the calculation of the funding requirements must be based on the assumption that no claim exceeds $50,000 and must exclude the benefits attributable to certain employees deemed to be "key employees" as defined by Internal Revenue Code Section 416(i). When a benefit greater than $50,000 becomes payable, NSTAR will pay the excess amount. There were no excess payments for the years ended December 31, 2002 and 2001, respectively. When a benefit becomes due relating to a key employee, NSTAR will pay the entire amount of the claim directly to the Service Provider. There were no such key employee benefit payments for the years ended December 31, 2002 or 2001.

Plan Benefit Obligations and Actuarial Assumptions

The Plan's liability for postretirement medical and life insurance benefits is estimated by the Actuary in accordance with accepted actuarial principles.

The postretirement medical and life insurance benefit obligation represents the actuarial present value of those estimated future benefits that are attributed to employee service rendered by retired and active employees. Postretirement medical and life insurance benefits include future benefits expected to be paid for eligible (1) retired employees and (2) active employees after retirement from service with NSTAR. Prior to an active employee's retirement date, the postretirement life insurance benefit obligation is the portion of the expected postretirement benefit obligation which is attributed to that employee's service rendered to the valuation date.

The actuarial present value of the expected postretirement medical and life insurance benefit obligation is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs and to adjust such estimates for the time value of money (through discounts for interest), assumed annual salary increases and the probability of payment (by means of decrements such as those for withdrawal) between the valuation date and the expected date of payment.

The weighted-average health care cost-trend rate assumption has a significant effect on the amounts reported in the accompanying financial statements. If the assumed rates increased by one percentage point in each year, it would increase the obligation as of December 31, 2002 and 2001, by $46,037,000 and $37,281,000, respectively.

The following significant assumptions were used in determining the actuarial liability as of December 31, 2002 and 2001:

Mortality for active, vested and retired participants - The 1994 Group Annuity Table for 2002 and Uninsured Pensioner 1994 Table (for 2001) with separate rates for males and females (rates multiplied by .8 for management employees and by 1.2 for union employees).

In addition, the Actuary used the following interest rate assumptions in determining the Plan's year-end funded status:

	2002	2001
Discount rate	6.50%	7.25%
Assumed annual salary increase	3.75	3.75

The Actuary and the Plan Administrator periodically review the discount rate and other factors and assumptions used in measuring the Plan's future postretirement medical and life insurance benefit obligation. The above mentioned assumptions are based on the presumption that the Plan will continue. Should the Plan terminate, the Actuary and Plan Administrator would reassess the assumptions and other factors that might be applicable in determining the actuarial present value of the postretirement medical and life insurance benefit obligation.

Retirement

Based on NSTAR'S experience as follows:

Age	Rate
55-59	1%
60	5%
61	5%
62	30%
63	15%
64	10%
65	100%

Turnover

Termination of all employee groups except management employees were assumed to according to rates, based on NSTAR'S experience, varying by duration of service and age, as follows:

Less Than 10 Years of Service And Prior to Age 62		More Than 10 Years of Service	
Years of Service	Annual Rate	Age Group	Annual Rate
0	21%	30-39	5%
1	21%		
2	13%		
3	13%		
4	13%	40-49	3%
5	10%		
6	10%		
7	8%		
8	8%	50-54	1%
9	5%		

Two times the rates shown above were applied to management employees.

Health care trend assumption	2002	2001
Medical	12% grading down to 5% in 2013	5% for all years

The foregoing assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the post retirement benefit obligation.

Federal Income Taxes

The Plan Administrator has received a letter, dated , from the Internal Revenue Service indicating that the trust that is used to pay benefits is qualified pursuant to Section 501(c)(9) of the Internal Revenue Code ("the Code"). The Plan Administrator is of the opinion that the trust continues to qualify under applicable provisions of the Code. Accordingly, the assets of the VEBA trust are generally exempt from tax (except for certain unrelated business income tax) under Section 501(a) of the Code as a trust filed under Section 501(c)(9). However, in accordance with the Trust Agreement, any taxes assessed under existing or future laws shall be paid by NSTAR.

C. Related Party Transactions

Certain Plan investments are shares of mutual funds and or common collective trusts managed by State Street. State Street is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest.

The State Street Funds are parties-in-interest as that term is defined in section 3(14) of ERISA.

NSTAR

2002 ANNUAL REPORT

FOR THE

NSTAR LONG-TERM DISABILITY PLAN

(formerly the Long-Term Disability Plan of
Commonwealth Energy System and Subsidiary Companies)

NSTAR LONG TERM DISABILITY PLAN
(formerly the Long-Term Disability Plan of
Commonwealth Energy System and Subsidiary Companies)

Table of Contents

Note: Other supplemental schedules described in Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Report of Independent Auditors

To the Participants and Administrator of
the NSTAR Long Term Disability Plan
(formerly the Long-Term Disability Plan of
Commonwealth Energy System and Subsidiary Companies):

We were engaged to audit the financial statements and supplemental schedules of the NSTAR Long Term Disability Plan (formerly the Long-Term Disability Plan of Commonwealth Energy System and Subsidiary Companies) (the "Plan") as of December 31, 2002 and 2001 and for the year ended December 31, 2002, as listed in the accompanying table of contents. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note B, which was certified by State Street Bank and Trust, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2002 and 2001 and for the year ended December 31, 2002, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, after the restatement discussed in Note B, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

As further discussed in Note K, the statement of benefit obligations and net assets available for benefits as of December 31, 2001 was restated to reduce the amount of total benefit obligations for life insurance benefit obligations included in the balance.

/s/ PricewaterhouseCoopers LLP
February 23, 2004

NSTAR LONG TERM DISABILITY PLAN
(formerly the Long-Term Disability Plan of
Commonwealth Energy System and Subsidiary Companies)

Statements of Benefit Obligations and Net Assets
Available For Benefits

	December 31, 2002	December 31, 2001 (Restated)
Benefit obligations:		
Disabled employees receiving benefits	$2,521,000	$2,126,000
Incurred but not reported disabilities	269,000	207,000
Total benefit obligations at end of year	2,790,000	2,333,000
Assets:		
Money market fund at fair value	122,191	95,079
Bank collective investment funds at fair value	4,104,659	4,135,760
Prepaid income tax	-	7,876
Dividend receivable	-	156
Interest receivable	98	-
Total assets	4,226,948	4,238,871
Liabilities:		
Other payables	21,930	8,846
Net assets available for benefits	4,205,018	4,230,025
Excess of net assets available for benefits over benefit obligations	$1,415,018	$1,897,025

The accompanying notes and schedules are integral parts of these financial statements.

NSTAR LONG TERM DISABILITY PLAN
(formerly the Long-Term Disability Plan of
Commonwealth Energy System and Subsidiary Companies)

Statement of Changes in Benefit Obligations
and Net Assets Available For Benefits
Year Ended December 31, 2002

	Restated
Net change in benefit obligations:	
Benefit payments	$ (474,038)
Interest on obligations	161,000
Plan merger	1,019,000
Change in assumption	68,000
Net change due to recoveries, new disabilities and actuarial experiences	(316,962)
Net increase in benefit obligations for the year ended December 31	457,000
Additions:	
Employer contributions	144,420
Investment income:	
Dividend income	202,932
Interest income	2,173
Net appreciation of bank collective investments funds	191,160
	396,265
	540,685
Deductions:	
Benefit payments	474,038
Administrative and other expenses	91,654
	565,692
Net decrease in net assets available for benefits	(25,007)
Decrease in excess of net assets available for benefits over benefit obligations	(482,007)
Excess of net assets available for benefits over benefit obligations -	
Beginning of year (restated)	1,897,025
End of year	$ 1,415,018

The accompanying notes and schedules are integral parts of these financial statements.

NOTES TO FINANCIAL STATEMENTS AND SCHEDULES

A. Description of the Plan

General

The following description of the NSTAR Long-Term Disability Plan (formerly the Long-Term Disability Plan of Commonwealth Energy System and Subsidiary Companies) (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan. Eligible employees' ("Participants") benefits under this Plan are determined in accordance with the Plan document. On July 1, 2002, the Plan was amended, restated, renamed and continues from the Long-Term Disability Plan of Commonwealth Energy System and Subsidiary Companies that was assumed by NSTAR as successor plan sponsor and plan administrator on January 1, 2000. Effective July 1, 2002, the long-term disability portion of the Group Welfare Benefits Plan for Employees of NSTAR merged into the Plan resulting in an increase in benefit obligations of $1,019,000. There were no assets associated with the long-term disability portion of the Group Welfare Benefits Plan for Employees of NSTAR. The purpose of this Plan is to provide group long-term disability income continuation benefits to Participants as generally discussed below. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

NSTAR is an energy delivery company serving approximately 1.4 million customers in Massachusetts including approximately 1.1 million electric customers in 81 communities and 300,000 gas customers in 51 communities. As of December 31, 2002, NSTAR had approximately 3,300 employees of which 40 were receiving benefits as Participants in the Plan.

Plan Administration

NSTAR (the "Plan Administrator") directly pays the administrative expenses, including audit, trustee, actuarial and service provider fees. The Plan pays any remaining administrative expenses. The day-to-day operation of the Plan is contracted to two Third Party Administrators, Metropolitan Life Insurance Company and Unicare Life and Health Insurance Company. In addition, Watson Wyatt & Company (the "Actuary") is employed by the Plan Administrator to act as technical advisor on matters related to the operation, valuation and funding requirements of the Plan.

The Plan investments are held in trust by State Street Bank and Trust, N. A. ("State Street" or "Trustee"). Effective July 1, 2002, the trust was amended, restated, renamed and continues the NSTAR LTD Benefit Program Trust (formerly known as the Commonwealth Energy System and Subsidiary Companies Benefit Program Trust. The sole purpose of the trust is to fund long-term disability benefits provided to Participants under the Plan. The trust and the Plan are intended to constitute a voluntary employees' beneficiary association (VEBA) within the meaning of section 501(c)(9) of the Internal Revenue Code of 1986, as amended.

Eligibility and Plan Benefits

The Plan provides coverage for full-time, active employees and part-time, active employees represented by Local 369 of the Utility Workers Union of America, AFL-CIO and all non-represented employees who are regularly scheduled to work at least 20 hours a week. Benefits are pro-rated based on scheduled work hours. Eligibility for coverage for the Plan begins the first day of employment for non-represented employees and upon the completion of six consecutive months of employment for represented employees. Benefits under the Plan become payable 12 months after a continuous disability absence begins. Employees are covered by the Plan 24 hours a day for any illness or injury, off the job, which results in a disability as defined below.

Participants are eligible to receive Plan benefits upon meeting the requirements of the Plan. For the initial 52 weeks, Participants are eligible to receive benefits if they are disabled while covered under the Plan, are unable to perform the duties of their job, have exhausted their 52-week coverage under NSTAR's Sick and Non-Industrial Accident Disability Plan and are under a physician's care and receiving treatment appropriate for the disabling condition. After an initial year of receiving Plan benefits, Participants are considered disabled and eligible to continue receiving benefits if they are unable to perform the duties of their present position and any other position for which they are reasonably qualified by training, education and experience, and are under a physician's care and receiving treatment appropriate for the disabling condition. At the conclusion of 78 weeks of Plan benefits, if a Participant cannot return to work, their employment with NSTAR will be terminated. However, Participants may continue to receive Plan benefits as long as they meet the requirements of the Plan.

The Plan pays 60% of a Participant's monthly base pay or a minimum benefit of $300 per month ($100 for disabilities that began before July 1, 1994), offset by other sources such as Workers' Compensation, Social Security, and any other federal, state, employer-provided disability benefits and third-party payments.

Disabilities as a result of a work-related injury or illness that qualify for Workers' compensation benefits, are provided under NSTAR's Industrial Accident Disability Plan.

The Plan also provides coverage for full-time, active employees represented by Local 12004, United Steelworkers of America, AFL-CIO-CLC and disabled Commonwealth Energy System employees, provided they have completed at least 30 days of continuous service and have worked 21 consecutive days. Benefits under the Plan become payable six months after a continuous disability absence begins and the Plan pays 60% of a Participant's monthly base pay or a minimum benefit of $200 per month.

B. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Plan financial statements are prepared on an accrual basis of accounting and in accordance with the rules and regulations of ERISA.

Investment Valuation

The investments in the money market fund and bank collective investment funds in the accompanying Statements of Benefit Obligations and Net Assets Available for Benefits are stated at fair value based upon the net asset value of the fund. Income on investments is recorded when earned and purchases/sales of securities are recorded on the trade date.

The Plan presents in the Statement of Changes in Benefit Obligations and Net Assets Available for Plan Benefits, the net appreciation in the fair market value of its trust investments that consists of realized gains and losses and the unrealized appreciation and depreciation on those investments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations, and changes therein, incurred but not reported disabilities and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Plan, if required for funding, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to discount rates, inflation rate impact on claims and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions could occur in the near term and, due to the uncertainties inherent in setting assumptions, the effect of such changes could be material to the Plan's financial statements.

The Plan provides for investments in bank collective investment funds. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Plan's investment balances and the amounts reported in the statements of benefit obligations and net assets available for benefits and the statement of changes in benefit obligations and net assets available for benefits.

C. Certified Information

The accompanying Plan financial statements and schedules have been prepared from the reports furnished by State Street, the Plan Trustee, to the Plan Administrator. The Plan Administrator has instructed the independent public accountants not to examine certain information certified as complete and accurate by the Trustee, including investments, earnings on investments, investment receivables/payables, and net appreciation, except for comparing such information to the related information included in the financial statements and the supplementary schedules.

D. Investments

The fair market value of individual investments that represent 5% or more of the Plan's net assets as of December 31, 2002 and 2001 are as follows:

	2002	2001
State Street Bank Bond Market Common Trust Fund	$4,104,659	$4,135,760

E. Funding

The long-term disability benefits to be provided to Participants are funded by employer contributions. NSTAR's contributions to the Plan to fund Metropolitan Life Insurance Company benefits are paid out of the general assets of the Company. NSTAR funds the Plan's UNICARE benefits with contributions to the VEBA Trust when required. For the year ended December 31, 2002 contributions were $144,420.

F. Actuarial Cost Method and Assumptions

The benefit obligation for disabled Participants receiving benefits is the actuarial present value of the future income replacement benefits accrued beginning at the date of disability for currently disabled Plan Participants. The obligation for incurred but not reported disabilities is the actuarial present value of the future income replacement benefits for Participants that are expected to become eligible for future disability income replacement benefits but have not yet reached their dates of disability to be reported as disabled Participants. The benefit obligations are amounts to be funded by contributions from the Company and from existing Plan assets. The obligation is measured assuming the Plan continues in effect and all assumptions about future events are met. The significant assumptions are rates of disability income termination (including recovery, mortality and retirement) based on the schedule below and a discount rate of 6.5% and 7.25% in 2002 and 2001, respectively:

Age	Mortality Rate	Recovery Rate
30	4.401%	5.300%
40	4.412%	4.420%
50	4.864%	4.060%
60	7.252%	9.480%

All disability benefits assumed to end at age 65.

The actuarial liability is developed based on census information provided to the Actuary by the Plan Administrator. NSTAR has determined that its obligation to establish and to fund the Plan when required relates to its vested employee rights, that payment of this compensation is probable and further, NSTAR has reasonably estimated these amounts.

G. Federal Income Taxes

The Plan Administrator has received a letter dated April 5, 1984 from the Internal Revenue Service ("IRS") indicating that the trust that is used to pay benefits is qualified pursuant to Section 501(c)(9) of the Internal Revenue Code of 1986, as amended ("the Code"). The Plan Administrator is of the opinion that the trust continues to qualify under applicable provisions of the Code.

However, pursuant to IRS regulations, certain income earned by the trust assets was subject to an unrelated business income tax amounting to $9,224 at December 31, 2002. In accordance with the Trust Agreement, as amended, this tax is paid by the Plan.

H. Termination Provisions of the Plan

Although the Plan was established with the intent to maintain it indefinitely, and there is currently no intention to terminate the Plan, the Plan Administrator has the right to terminate the Plan subject to the provisions of ERISA.

Although it has not expressed any intention to do so, the Plan Administrator has the right to terminate the trust. Upon termination, the assets of the trust, after satisfaction of all liabilities and expenses of the Plan, shall be applied by the Trustee to provide one or more of the benefits of the character contemplated by the trust until all assets of the trust are exhausted.

I. Related Party Transactions

The plan invests in funds managed by an affiliate of the trustee, State Street Bank and Trust. These transactions qualify as party-in-interest transactions.

J. Reconciliation of Financial Statements for Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

December 31, 2002

Net assets available for benefits per the financial statements	$4,205,018
Benefit claims payable	269,000
Net assets available for benefits per the Form 5500	$3,936,018

K. Restatement

The statement of benefit obligations and net assets available for benefits as of December 31, 2001 was restated to reduce the amount of total benefit obligations for life insurance benefit obligations included in the balance in error. These life insurance benefit obligations in the amount of $1,208,000 belong in a separate health and welfare plan sponsored by the Company. The restatement, which had no effect on participant benefits, resulted in a decrease in the total benefit obligations of $1,208,000 and a corresponding increase in the excess of net assets available for benefits over benefit obligations of $1,208,000.

Supplemental Schedule I
Employer Identification
Number: 04-3466300
Plan Number: 505

NSTAR LONG TERM DISABILITY PLAN
(formerly the Long-Term Disability Plan of
Commonwealth Energy System and Subsidiary Companies)

Schedule of Assets (Held at End of Year)

Schedule H, Line 4i - Form 5500

December 31, 2002

Names of Issuer and Title of Issue	Number of Shares	Cost	Current Value
State Street Bank Bond Market Common Trust Fund *	329,374	$3,877,762	$4,104,659
State Street Bank Global Advisors Money Market Fund *	100,204	$ 100,204	100,204
			$4,204,863

* Represents a party-in-interest to the Plan.

Schedule derived from information certified by State Street Bank and Trust Company, the Trustee of the Plan.

Supplemental Schedule II
Employer Identification
Number: 04-3466300
Plan Number: 505

NSTAR LONG TERM DISABILITY PLAN
(formerly the Long-Term Disability Plan of
Commonwealth Energy System and Subsidiary Companies)

Schedule of Reportable Transactions*
Year Ended December 31, 2002

Schedule H, line 4j - Form 5500

Description	Purchase Price	Selling Price	Lease Rental	Expenses Incurred	Cost of Assets Disposed	Current Value on Transaction Date	Net Gain/Loss
Series of transactions:							
State Street Bank and Trust Company Short-Term Investment Fund *	$309,450	$309,450	$ -	$ -	$309,450	$618,900	$ -
State Street Global Advisors FDS Money Market Fund *	$368,566	$268,361	$ -	$ -	$268,361	$636,927	$ -
State Street Bank Bond Market Common Trust Fund *	$203,287	$430,000	$ -	$ -	$422,769	$633,287	$ 7,231
Single transactions:							
State Street Global Advisors FDS Money Market Fund *	$240,000	$240,000	$ -	$ -	$240,000	$480,000	$ -

* Transactions or a series of transactions in excess of 5% of the Plan's assets at December 31, 2002, as defined in Section 2520.103-6 of the Department of Labor's Rules and Regulations and Disclosure under ERISA.

Schedule derived from information certified by State Street Bank and Trust Company, the Trustee of the Plan.

Information Request AG-1-18

Please provide the workpapers, calculations, formulas, assumptions, supporting documentation and copies of any studies management relied on to choose the Post-Retirement Benefits Other Than Pension study's discount rate.

Response

Please see the Company's response to Information Request AG-1-8.